Statutes

Securities Exchange Act of 1934:

Sec. 6(b) [15 U.S.C. 78f(b)]:

"SEC. 6. (a) Any exchange may be registered with the Commission as a national securities exchange under the terms and conditions hereinafter provided in this section, by filing a registration statement in such form as the Commission may prescribe, containing the agreements, setting forth the information, and accompanied by the documents, below specified:

* * * * *

"(b) No registration shall be granted or remain in force unless the rules of the exchange include provision for the expulsion, suspension, or disciplining of a member for conduct or proceeding inconsistent with just and equitable principles of trade, and declare that the willful violation of any provisions of this title or any rule or regulation thereunder shall be considered conduct or proceeding inconsistent with just and equitable principles of trade."

Sec. 15A (b)(8) [15 U.S.C. 78o-3(b)(8)]:

"(b) An applicant association shall not be registered as a national securities association unless it appears to the Commission that—

* * * * *

"(8) the rules of the association are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to provide safeguards against unreasonable profits or unreasonable rates of commissions or other charges, and, in general, to protect investors and the public interest, and to remove impediments to and perfect the mechanism of a free and open market; and are

not designed to permit unfair discrimination between customers, or issuers, or brokers or dealers, to fix minimum profits, to impose any schedule of prices, or to impose any schedule or fix minimum rates of commissions, allowances, discounts, or other charges."

See. 27 [15 U.S.C. 78aa]:

"The district courts of the United States, the District Court of the United States for the District of Columbia, and the United States court of any Territory or other place subject to the jurisdiction of the United States shall have exclusive jurisdiction of violations of this title or the rules and regulations thereunder, and of all suits in equity and actions at law brought to enforce any liability or duty created by this title or the rules and regulations thereunder. Any criminal proceeding may be brought in the district wherein any act or transaction constituting the violation occurred. Any suit or action to enforce any liability or duty created by this title or rules and regulations thereunder, or to enjoin any violation of such title or rules and regulations, may be brought in any such district or in the district wherein the defendant is found or is an inhabitant or transacts business, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be the subject to review as provided in sections 128 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 225 and 347). No costs shall be assessed for or against the Commission in any proceeding under this title brought by or against it in the Supreme Court or such other courts."

New York Stock Exchange

Constitution

ARTICLE XIV

Expulsion and Suspension from Membership or from Allied Membership—Disciplinary Proceedings

Violation of Constitution, Rules or Resolutions—Inequitable Conduct

SEC. 6. A member or allied member who shall be adjudged guilty, by the affirmative vote of a majority of the Governors then in office, of a violation of the Constitution of the Exchange or of a violation of a rule adopted pursuant to the Constitution or of a violation of a resolution of the Board of Governors regulating the conduct or business of members or allied members or of conduct or proceeding inconsistent with just and equitable principles of trade may be suspended or expelled as the Board may determine.

National Association of Securities Dealers, Inc.

By-Laws, Article I

"SECTION 2(a) No broker or dealer, except with the approval or at the direction of the Securities and Exchange Commission (hereinafter referred to as the Commission), in cases in which the Commission finds it appropriate in the public interest so to approve or direct pursuant to Section 15A of the Securities Exchange Act of 1934, as amended (hereinafter referred to as the Act), shall be admitted to or continued in membership in the Corporation if (1) such broker or dealer, whether prior or subsequent to becoming such or (2) any partner, officer, director, or branch manager of such broker or dealer (or any person occupying a similar status or performing similar functions), or any person directly or indirectly controlling or controlled by such broker or dealer, whether prior or subsequent to becoming such (A) has been and is suspended or

expelled from a securities association (whether national or affiliated) registered pursuant to Section 15A of the Act, or from a national securities exchange, registered pursuant to Section 6 of the Act, for violation of any rule of such association or exchange which prohibits any act or transaction constituting conduct inconsistent with just and equitable principles of trade, or requires any act the omission of which constitutes conduct inconsistent with just and equitable principles of trade, or (B) is subject to an order of the Commission denying or revoking his registration pursuant to Section 15 of the Act, or expelling or suspending him from membership in a registered securities association or a national securities exchange, or (C) by his conduct while employed by, acting for, or directly or indirectly controlling or controlled by, a broker or dealer, was a cause of any suspension, expulsion, or order of the character described in Clauses (A) or (B), which is in effect with respect to such broker or dealer, or (D) has been and is subject to an order of a registered securities association or national securities exchange, which order cancels, terminates, revokes or suspends the registration of such person as a registered representative or employee for conduct contrary to high standards of commercial honor or just and equitable principles of trade, or (E) has been convicted within the preceding ten years of a felony or misdemeanor involving the purchase or sale of any security or arising out of the conduct of the business of a broker or dealer, or (F) has been convicted within the preceding ten years of any felony or misdemeanor which the Association finds involved embezzlement, fraudulent conversion, misappropriation of funds or a use or misuse of a fiduciary relationship."

Rules of Fair Practice, Article III

"SECTION 1 A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."